

# 16,000 earn more than \$1m a year

By Annabel Walker

**T**HE latest government statistics show the number of people earning more than \$1 million a year has nearly doubled in the past two tax years to more than 16,000.

Financial experts said the figures were a reflection of a healthy economy and there had been too much negative emphasis on the downturn of the recent past.

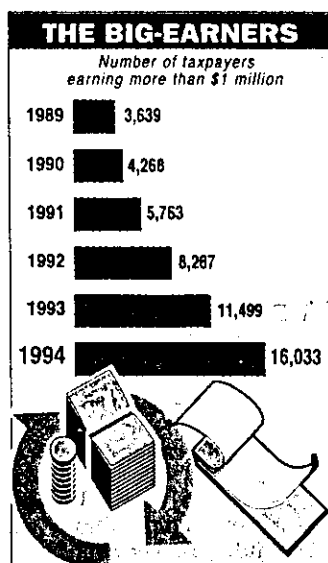
"The real story is there is no economic gloom," Marshall Byres, tax chairman of accountancy company Ernst and Young, said.

"We are not in a downturn, far from it. There are some pockets of gloom around, but overall the economy is still growing at 5 per cent. The economic gloom is that the economy isn't growing at 8 per cent."

The number of people earning more than \$1 million a year — not including those who are self-employed — has risen yearly by ever greater amounts since the figures were first categorised in this way by the Inland Revenue Department in 1989.

In 1989 there were 3,639 people earning \$1 million a year, with that figure increasing to 8,267 in 1992. The latest government figures, for 1994, show the number has increased to 16,033 — nearly 100 per cent more than in 1992.

The \$1 million-plus wage



earners paid 19 per cent of the total tax bill for 1994.

Mr Byres said he expected figures for the 1995 tax assessment to rise again, despite the economic slow-down for that period.

"I anticipate that even in 1995 the number (of people earning more than \$1 million a year) will grow," he said.

David Smith, tax partner at KPMG Peat Marwick, said the figures were probably a sign of a healthy economy.

Mr Smith said he had "sympathy with the view" that people had been incorrectly lectured to believe that everything was bad in the economy, resulting in the "feel-bad" factor.

"It is very hard to make

projections, but that the figures are still on the rise is my guess," Mr Smith said.

He said the number of million-dollar-a-year earners was not so remarkable when compared with the workforce as a whole.

"In two years, basically we have double the number of people earning over \$1 million, but 16,000 out of three million taxpayers is not a very high percentage," he said.

Mr Smith did not think the figures necessarily reflected an increased compliance with the revenue department's tax reporting requirements introduced about two years ago.

"Is this a sign of a high level of tax compliance?" Mr Smith said referring to the 1994 figures.

"I don't think you can validly say that. Inflation has a lot to do with it, as does the reasonably sound economy."

Rather than looking at the number of million-dollar-a-year earners, Mr Smith suggested that a study of the top 5 per cent of wage earners, the middle band and the bottom would show whether society was becoming more egalitarian, or whether it was simply a case of the rich getting richer.

The Inland Revenue Department declined to comment on the rising numbers of high income earners, but did say that under current tax allowances over 50 per cent of workers were not liable for tax.